



Public Schools of North Carolina

Federal Grants Fiscal Monitoring

New Title I Directors Institute

July 16, 2015

What does the Monitoring and Compliance Section do?

Functions:

- Fiscal Monitoring
- Audit Resolution
- Technical Assistance
- Audit Compliance Supplements
- Indirect Cost Rates
- Carryover and administrative costs compliance for applicable federal programs
- Maintenance of Effort compliance
- DUNS and SAM.gov compliance



What is fiscal monitoring?

Purpose:

- Federal and state laws require the North Carolina Department of Public Instruction (NC DPI) to monitor implementation of federal programs operated by local educational agencies(LEAs) and charter schools.
- Statutes
 - Federal (Congress)
 - General Education Provisions Act (GEPA)
 - Program Statutes (NCLB, IDEA, SIG)
 - State (Legislature)
 - Elementary and Secondary Education Act (GS 115C)
 - NC Charter Schools Act (GS 115C-238.9)
- Regulations and Circulars (ED/OMB)
 - Education General Administrative Regulations (EDGAR)
 - OMB Uniform Guidance (Supercircular) - Circulars (i.e. A-87, A-133, A-122)



What programs do we monitor?

PRC	Program Description
017	CTE –Career Technical Education
026	McKinney-Vento Homeless
047	Delinquent Youth in State Agency Facilities
049	IDEA VI-B -Pre-School Handicapped
050	ESEA Title I - Basic
051	ESEA Title I -Migrant
058	CTE –Capacity Building
060	IDEA VI-B Handicapped
065	ESEA Title I – Even Start
070	IDEA Early Intervening Services (EIS)
082	IDEA VI-B State Improvement
091	Small, Rural Schools Achievement (SRSA)
100	Rewards Schools Mini-Grants
101	Title V Abstinence Ed
103	Title II- Improving Teacher Quality
104	Title III -Language Acquisition -State

PRC	Program Description
105	Title I School Improvement
108	Educational Technology
109	Rural & Low Income
110	Title IV-21 st Century Community Learning
111	Title III -Language Acquisition State Grant
112	Title II- B –Math & Science
113	Summer Mini 21 st Century Community Learning
114	Children with Disabilities
117	School Improvement Grant
118	IDEA VI-B Special Needs Targeted
119	IDEA-Targeted Assistance Preschool
121	ESEA Title I Office of Early Learning
143	ARRA -School Improvement
146	ARRA - State Aid ED Technology
156	Race to the Top -ARRA
157	Regional Leadership
158	RTTT Recruitment Incentive
159	RTTT STEM



Who do we monitor?

Selection Process for charter school onsite fiscal monitoring:

- Rotation Schedule as determined by Federal Programs Monitoring and Support Services
- School Business Administration, with input from the Office of Charter Schools, identifies additional LEAs/charter schools for monitoring based on risk factors (including, but not limited to):
 - Single Audit Findings
 - Previous monitoring review and identified deficiencies
 - Noncompliance Status
 - Issues or problems (reporting, fund balance deficit, declining ADM etc.)
 - Management request
- Financial Reviews



How do we monitor?

Prior to onsite visit:

- Notice of impending onsite fiscal monitoring visit
- List of documentation to provide prior to or at the time of the visit

During site visit

- Meet with Finance Officer and key program staff
- Provide sample selection for review
- Conduct interviews & review sample items
- Discuss preliminary findings during wrap-up meeting on final day onsite
- Request any additional documentation needed to complete review



How do we monitor? (concluded)

After site visit:

- Report issued within 45 days of last day of site visit
- Report addressed to school Finance Officer / Principal / School Director with copies to Superintendent and appropriate DPI staff
- Report identifies:
 - Deficiencies noted
 - Corrective actions required
 - Repayments due (if applicable)
 - General recommendations
- LEA/ Charter School's written response, including requested documentation, due 30 days from date of report
- Closure notification



What do we monitor?

- I. Time & Effort
- II. Contracted Services and Procurement
- III. Inventory and Equipment
- IV. Internal Controls
- V. Cash Management



I. How do we monitor Time & Effort?

Review Time and Effort Documentation (payrolls, time and attendance records)

- Employees spending 100% time on one cost objective
 - Certification, at least semi-annually, all time was spent on one cost objective
 - Signed after the fact by either the employee or the supervisor with first-hand knowledge of the employee's work
- Employees spending time on multiple cost objectives
 - Personnel activity reports (PARs) that meet the following:
 - Reflect an after-the-fact distribution of the actual activity of each employee
 - Account for the total activity for which each employee is compensated
 - Prepared at least monthly and must coincide with one or more pay periods, and
 - Signed by the employee

Budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to Federal awards



Semi-Annual Certifications & PARS

- Language (semi-annual certifications)
- Handwritten Information
 - Dates
 - Signatures/printed name
- Timeliness
- Consistency
- Errors & Strikethroughs
- Applicable Employees (semi-annual, PARS)



Semi-Annual Certifications - Example of Individual

- Language

I, Fabulous Employee, certify that I spent 100% of my time for the period of January 1, 20XX, through June 30, 20XX, on Title I Activities.

Signature/Date _____



Semi-Annual Certifications-Example of Blanket

- Language

I certify that the employees listed below spent 100% of their time for the period of January 1, 20XX, through June 15, 20XX, on *Title / School wide Activities.*

Signed/Date: _____ (Principal)
(First hand knowledge)

(List of Employees)

*** Would be helpful to have school name & number**



Semi-Annual Certifications & PARs

- **Handwritten Information** (use black or **blue ink**)
 - Dates
 - Must be after-the-fact: after the time period covered by the documentation as indicated on the forms
 - Must coincide with one or more pay periods
 - Actual date signed
 - Signatures/printed name
 - No stamped signatures
 - No computer typed signatures and/or dates
 - May use digital signatures and/or dates, only if proper controls are in place
 - Policies and procedures in writing



Semi-Annual Certifications & PARs

(continued)

- **Timeliness**

- It is preferred that time and effort documentation is completed as promptly as possible after the timeframe indicated on the form, but, performing **accurate** and **adequate** documentation is our main concern.
- Time and effort documentation should **always** be signed and dated the actual time the form(s) were completed.



Semi-Annual Certifications & PARs

(continued)

- **Consistency**
 - Forms
 - Capturing the same information for all employees
 - Ensuring that all information is complete and accurate
 - Ensuring proper supporting documentation for all employees
 - Programs
 - Communication is key



Semi-Annual Certifications & PARs

(concluded)

- **Errors & Strikethroughs**

- If an error is discovered, strikethrough the error with one line and initial, or initial and date.

Or

- If a new form is completed at a time different from that of the original, then use the date in which the new form was completed.



Semi-Annual Certifications

- Applicable Employees

- 100% from a single funding source
- 100% with a single type of student/class which may be funded from federal, state, and/or local funds (ex. Voc Ed, IDEA)
- Federally-funded extra-duty time beyond the full-time day (After-school programs such as 21st CCLC)
- “Single Cost Objective” will be determined by the employee’s **activities**, not solely by the employee’s funding.
- For example:
 - A CTE employee who is paid from two different sources, but does the same “activity” 100% of the time



Personnel Activity Reports (PARs)

- Applicable Employees

- Are usually employees paid from more than one federal grant
- Or are paid by a federal grant and a non-federal award.
- As with the single cost objective employees, it is not always possible to tell by looking at funding only whether an employee is single or multiple cost objective.
- “Multiple Cost Objective” will be determined by the employee’s activities and not solely by the employee’s funding.
 - For example— A Title I employee who works on two different Title I set-asides is a “**multiple cost objective**” employee.



Personnel Activity Reports (PARs) (continued)

- **Additional Requirements**

- Must complete and maintain support and/or documentation for their PAR forms
- Must account for the total activity for which each employee is compensated
- Must be signed by the employee
- Must conduct comparisons of actual costs (based on reported PARs) to budgeted distributions **at least** quarterly.
- Include an “effort statement” that accounts for 100% of the employee’s effort
- The number of hours worked (No “X” entries)
- No Vacation, Sick and/or Holidays
- The time worked on all cost objectives
- The specific federal cost objective (not just “federal”)



Personnel Activity Reports (PARs)

(continued)

PERSONNEL ACTIVITY REPORT

Month: May 2008 Position Number: 045 Employee: Ted D. Behr
 Effort: Employee time and effort is allocated 45% to Title I and 55% to state-funded activities
 Week 1: May 1-3 Supervisor's Initials:

Column A COST OBJECTIVE Cost objectives upon which time was spent this week	Column B TIME - Cost Objective Total hours this week spent on each cost objective	Column C TIME - Total Total hours worked this week	Column D PERCENT ALLOCATION Percentage of time this week spent on each cost objective (Column B / Column C x 100%)
Title I	8	16	50.0%
State-Funded	8		50.0%

Week 2: May 4-10 Supervisor's Initials:

COST OBJECTIVE	TIME - Cost Objective	TIME - Total	PERCENT ALLOCATION
Title I	24	40	60.0%
State-Funded	16		40.0%

Week 3: May 11-17 Supervisor's Initials:

COST OBJECTIVE	TIME - Cost Objective	TIME - Total	PERCENT ALLOCATION
Title I	22	40	55.0%
State-Funded	18		45.0%

Week 4: May 18-24 Supervisor's Initials:

COST OBJECTIVE	TIME - Cost Objective	TIME - Total	PERCENT ALLOCATION
Title I	16	36	44.4%
State-Funded	20		55.6%

Week 5: May 25-31 Supervisor's Initials:

COST OBJECTIVE	TIME - Cost Objective	TIME - Total	PERCENT ALLOCATION
Title I	14	32	43.8%
State-Funded	18		56.3%

Monthly Percent
Allocation

84/164 = 51.2% Title I
 80/164 = 48.8% State-Funded

I hereby certify that the information contained in this Time and Effort Report accurately reflects actual time and effort distribution for the month reported.

Ted D. Behr

Employee's Signature

Joe Johnson

Supervisor's Signature and Title

6/2/08

Date

6/3/08

Date

A PAR with all
the required
components



Personnel Activity Reports (PARs)

(concluded)

Reconciliation

Comparisons of actual costs (based on reported PARs) to budgeted distributions at least quarterly.

- Annual adjustments may be made if the quarterly comparisons show that the differences between budgeted and actual costs charged to the Federal program are less than ten percent (10%).
- If the quarterly comparisons show that the differences between budgeted and actual costs charged to the Federal program are ten percent (10%) or more, then an adjustment must be made immediately.



II. How do we monitor Contracted Services and Procurement?

Review to determine expenditures are:

- Allowable
 - Allowable under the relevant program
 - Consistent with federal cost principles
 - Consistent with EDGAR
- Reasonable and Necessary
 - Necessary for the performance or administration of the grant
 - Does not exceed that which would be incurred by a prudent person
 - Follows sound business practices
 - Reflects market prices for comparable goods or services
- Allocable
 - Can only charge in proportion to the value received by the program
- Adequately documented



Procurement

Procurement

- The process of obtaining goods and/or services in accordance with applicable rules and regulations and program requirements
- Procurement standards apply to the purchase of supplies, equipment, construction (if approved) and other services funded in whole or in part by federal grant funds. Charter schools' procurement policies must be in accordance with 34 CFR 80.36 when using federal funds.



Procurement Policies and Procedures

Procurement policies and procedures should address the topics below:

- Open and full competition
- Written code of standards for employee conduct / conflict of interest
- Vendor Selection
- Supporting documentation and maintenance of records
- Contract administration system



Open and Full Competition

The school should have a documented competitive procurement process specifying requirements for varying thresholds:

- Less than \$1,000
 - Sound business practices
- Between \$1,000 and \$5,000
 - Three verbal quotes (documented)
- Greater than \$5,000
 - Formal bid process
 - Minimum of three bids
 - Formal evaluation process



Code of Standards for Employee Conduct

Maintain a written code of standards of conduct governing the performance of their employees engaged in the award and administration of contracts.

- No employee, officer or agent of the school shall participate in selection or in the administration of a contract supported by Federal funds if a conflict of interest, real or apparent, would be involved.
- Must include sanctions for violations



Conflict of Interest

Conflicts of interest, real or apparent, arise when an employee or board member:

- Has a financial interest or other interest in the contractor selected for the award
- Is an employee, officer, or agent of the contractor selected for the award
- Has a family member who is an employee of the contractor selected for the award
- Is about to be employed by the contractor selected for the award
- Has an immediate family member who is about to be employed by the contractor selected for the award



Vendor Selection

- The LEA/charter school should select the most responsive and responsible vendor to provide required materials and services
- Items of consideration:
 - Vendor integrity
 - Past performance
 - Financial and technical resources
 - Not suspended or debarred
 - <http://www.doa.state.nc.us/PandC/actions.htm>
 - <https://www.sam.gov>
 - Competitive prices



Supporting Documentation and Maintenance of Records

Records to be maintained include the following:

- Purchase requisitions
- Purchase orders
- Payment authorization forms
- Payroll authorization forms
- Travel reimbursement forms
- Employee reimbursement forms
- Original third-party itemized invoices/receipts
- Contracts, including amendments
- Bank statements, including cancelled checks



Purchase Orders

Should include the following clearly defined deliverables:

- Description of services to be performed or goods to be delivered
- Description of dates when services will be performed or goods delivered
- Description of locations where services will be performed or goods will be delivered
- Description of number of students/teachers/etc., to be served (if applicable)

Purchase Order Form

School:				
Entity:		Vendor Information		
PO Number:		Name:		
PO Date:		Website:		
Requester:		Phone for Ordering:		
Person Ordering:		Fax for Ordering:		
Order Date:		Payment Address:		
Method of Ordering:		City, State and Zip		
Person/Date Received:		Customer Service #:		
Receiving Issues:				
	Item Number	Description of Goods	Account Description	Acct #
1				
2				
3				
4				
5				
6				
7				
8				
9				
10				
11				
12				
13				
14				
15				
	Sub-Total:			
	Shipping, Handling & Other Charges:			
	Total Requested:			
Approver Signature:		Approver Name:		
Delivery Address:		Billing Address:		

Blanket Order

A Blanket Order should be used when the ordering department/cost center will:

- Purchase repetitive, specified services or items, or categories of items from the same supplier; which are purchased and paid in a predictable manner during a certain time period, usually one (1) year
- Order standard materials or maintenance supplies which require numerous shipments
- Enable the buyer to obtain more favorable pricing through volume commitments



Blanket Order (concluded)

A Blanket Purchase Order format should include the following information:

- The period to be covered by the blanket agreement
- A cancellation clause (if applicable)
- Items and/or categories of items to be covered by the Blanket Order (when available)
- Maximum quantities, if any
- Prices and pricing arrangements
- Terms and billing arrangements



Invoices

Payments for goods and/or services should be based on written invoices which include:

- Services performed or goods delivered
- Dates services were performed or goods delivered
- Location services were performed or goods delivered
- List students/teachers, etc., served (if applicable)



School Credit Cards

Payments for goods and/or services with school credit cards should follow established procurement policies and procedures such as:

- ***All orders must be pre-approved by the principal or finance officer on a requisition form.***
- The staff member generates the requisition form and gives it to the finance officer.
- The finance officer assigns the correct budget account number and requests the principal's approval/signature.
- If approved, a purchase order will be generated.
- When supplies arrive and are inventoried, the staff member should notify the finance officer immediately if there are any discrepancies in the order.
- **Invoices cannot be paid until the staff member confirms receipt of the merchandise ordered by signing and returning the packing slips to the finance officer.**



Expense Reimbursements

To ensure the LEA/charter school pays only for authorized business expenses supporting documentation should be maintained for the following:

- Employee travel reimbursement
- Employee expense reimbursement



Contracts

LEA/charter school should have a documented contract administration system with controls to ensure that contracts are in writing and include clearly defined deliverables such as:

- Description of services to be performed or goods to be delivered
- Rate of compensation
- Description of dates when services will be performed or goods delivered
- Description of locations where services will be performed or goods will be delivered
- Description of number of students/ teachers/etc., to be served (if applicable)



Contracts (concluded)

- Awards must be made to responsible contractors who possess the potential ability to perform successfully
- Contracts cannot be made with vendor who has been suspended or debarred (federal and state lists)
- Contracts should contain the following required provisions:
 - Remedies for breach, sanctions and penalties
 - Termination for cause and convenience
 - State language
 - Signature and date of all parties prior to execution



Red Flags

- Lack of adequate system of internal accounting control over purchasing
- Lack of adequate segregation of duties
- Missing purchase orders or purchase orders lacking detail
- Insufficient detail on invoices
- Lacking or inadequate receiving documentation
- Vendors unknown, ***related to someone in the organization***, or are otherwise not vetted properly.
- Vendor pricing is out of line with the marketplace.
- Unsubstantiated travel expenses
- Undocumented credit card purchase
- Non-competitive contracts



Minimizing Risk

- Documented procurement policies and procedures communicated to all staff
- Adequate segregation of duties or implementation of compensating controls
- Conflict of Interest policy including consequences for violation
- Strong internal control system
- Supporting documentation for all procurement disbursements canceled (e.g. marked *PAID*) to prevent resubmission for payment



III. Inventory and Equipment Requirements

EDGAR 80.32, requires LEAs and Charter Schools have documented procedures for managing equipment, whether acquired in whole or in part with grand funds, until disposition takes place. These procedures must cover:

- Definitions of inventory and equipment
- Inventory tracking system
- Allowable use
- Property records
- Physical inventory
- Control system



Inventory and Equipment Requirements (continued)

Equipment and Inventory Defined

- Equipment
 - Assets with a useful life of more than one year and an acquisition cost of \$5,000 or more.
 - Non-capital assets are those assets with a useful life of more than one year and an acquisition cost of less than \$5,000.
- Inventory
 - “Everything else”



Inventory and Equipment Requirements (continued)

Inventory Tracking Systems

- Should include capital assets and non-capital assets
- Non-capital assets to be tracked should include, but is not limited to:
 - Information technology (IT) equipment
 - Laptop and desktop computers
 - Televisions
 - Printers
 - Projectors
 - Electronic whiteboards (Smartboards)
 - Instructional supplies, including digital devices, and
 - Employee assigned equipment



Inventory and Equipment Requirements (continued)

Allowable Use

1. In the program or project for which it was acquired as long as needed, whether or not the project or program continues to be supported by Federal Funds
2. On other projects or programs currently or previously supported by the Federal Government



Inventory and Equipment Requirements (continued)

Property records must be maintained that include:

- A description of the property
- A serial number or other identification number
- The source of property
- Who holds title
- The acquisition date
- Cost of the property
- Percentage of federal participation
- Location
- Use and condition of the property
- Ultimate disposition of the property



Inventory and Equipment Best Practices

[illegible]

Inventory and Equipment Requirements (continued)

Disposition - when original or replacement equipment is no longer needed for the original project or program.

- Follow formal procedures for disposition
- Complete the Equipment Disposition Request Form - <http://www.ncpublicschools.org/bs/finance/federal/>
- Note disposition date and method on inventory records

North Carolina Department of Public Instruction
School Business Division
Monitoring & Compliance Section

EQUIPMENT DISPOSITION REQUEST

PRC Number: _____ Federal Program: _____

LEA Number: _____ LEA Name: _____

(1) Description of Equipment Item	(2) Quantity Disposed	(3) Month/Year Purchased	(4) Unit Cost	(5) Physical Condition	(6) Disposition Action Recommended

Approvals: _____ Date: _____

LEA Federal
Program Director: _____

State Level Use Only:
DPI Consultant: _____

Monitoring & Compliance
Section Staff: _____



Inventory and Equipment Requirements (continued)

- Physical Inventory
 - Must conduct a physical inventory of the property and document.
 - Reconcile results with the property records
 - Every two years
- Control System to ensure adequate safeguards to prevent:
 - Loss
 - Damage
 - Theft
 - *Any loss, damage, or theft shall be investigated and documented*
- Maintenance
 - Must develop procedures to keep property in good condition



Inventory and Equipment Best Practices

- Keep property records current and accurate
- Capture significant 'technological' items (e.g. digital cameras, iPods, graphing calculators, etc.)
- Inventory items below threshold
- Document a competitive bidding process
- Ensure adequate safeguards are in place to prevent loss, damage or theft
- Conduct a physical inventory at least once every 2 years
- Use appropriate equipment disposition form
- Property Insurance policy is adequate and current



How do we monitor Equipment and Inventory?

- Review of records
 - Policies and procedures for inventory and equipment purchases
 - Maintenance records
 - Inventory listing
 - Maintained for FIVE years past disposition
 - Evidence of physical inventory every two years
- Physical verification through observation
 - All equipment should be labeled with Grant Name or equivalent tracking system

Remember - If it's less expensive to inventory than to replace, it should be inventoried.



IV. How do we monitor Internal Controls?

What are Internal Controls?

- Internal controls consist of measures to improve:
 - Effectiveness and efficiency of operations
 - Reliability of financial reporting
 - Compliance with applicable laws and regulations
 - Safeguarding assets
- Components of internal controls include:
 - Control Environment
 - Risk assessment
 - Control Activities
 - Information and communication
 - Monitoring



How do we monitor Internal Controls?

(concluded)

Review of Fiscal Policies and Procedures:

- In writing and provided to or accessible by all personnel
- Include critical policies including (at a minimum):
 - Cash receipts and disbursements
 - Procurement
 - Credit card
 - Travel
 - Bank accounts and reconciliations
 - Financial statements
 - Segregation of duties
 - Equipment and inventory
 - Maintenance of effort
 - Supplement not supplant
 - Cash management/drawdown
- ***Evidence of implementation and compliance***



V. Why do we monitor Cash Management?

Cash Management Improvement Act (CMIA)

- Implemented to prevent interest earnings on federal funds.
- LEA/charter school must calculate and remit interest earned on any federal funds at least quarterly to the federal agency (through the Department). Up to \$100 per year may be retained by the school for administrative expenses.

EDGAR Part 80.2 (b)

- Methods and procedures for payment shall minimize the time elapsing between the transfer of funds and disbursement by the DPI and the LEA/charter school.



How do we monitor Cash Management?

Review of documentation including:

- LEA/charter school's cash management policies and procedures
- General ledger for documentation of revenue and expenditures to ensure:
 - Disbursement transactions are recorded on the LEA/charter school's books and funds delivered within 3 days of drawdown
 - Journal voucher entries (in instances when expenditures made with state and local funds need to be charged to federal funds) completed within three days of the federal funds receipt



Common Fiscal Monitoring Findings

- **Time and Effort**

- Semi annual certifications or personnel activity reports are not on file
- Semi annual certifications or personnel activity reports are not in compliance (e.g. not signed, signed/dated prior to end of time covered)

- **Procurement**

- Lack of Documentation - Support for events not sufficient enough to determine that it is allowable, reasonable and necessary.
- Unallowable - Activity or events are not for the benefit of funding program or targeted recipient



Common Fiscal Monitoring Findings

(continued)

- **Contracted Services:**
 - Contracts not on file (for Object Code 311)
 - Contracts lacking critical elements
 - Scope of services,
 - Defined compensation,
 - Signatures of all parties,
 - Defined period of performance,
 - Inclusion of remedy, termination and/or state language clauses
 - Lack of Documentation
 - No support for services such as detailed invoices



Common Fiscal Monitoring Findings

(continued)

- **Equipment and Inventory:**
 - Improper Coding
 - Prior Approval not obtained from Board
 - Not tagged or labeled
 - Not inventoried
 - Cannot be located
 - Not used for the purpose of the grant
- **Internal controls:**
 - Conflicting policies
 - Outdated policies and procedures
 - Non-existent policies



Common Fiscal Monitoring Findings

(concluded)

- **Cash management**
 - Cash requested prior to disbursement held longer than three business days
 - Interest on cash held longer than three business days not calculated
 - Interest due not repaid



Questions?



Contact Information

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